

# Bharti airtel ltd and reliance infocomm ltd

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**PaperPrompt**

The cellular phone industry is one of India's rapidly growing industries. Since the industry came into being in the mid 1990s, its average per annum growth rate has been a phenomenal 85 percent. The National Telecom Policy 1999 was an important landmark in the development of the cellular telecom industry in India where the rules of the game changed; the tariff rationalization and policy regulation introduced in the Policy helped the industry growth.

In March 2007, Reliance Infocomm started to roll out handsets in their prepaid mobile services segment to its customer from a price of Rs. 3, 500 for a CDMA enabled Motorola handset, a subscriber could get a free Reliance India Mobile (RIM) prepaid connection and recharge vouchers worth Rs. 3, 240.

This connection was valid for six months with a grace period of another six months during which the subscriber could receive SMS and incoming calls without having to recharge the account. This strategic offer was made on other RIM handsets as well. If a subscriber purchased an LG handset worth Rs. 6, 500, the customer can get a free RIM prepaid recharge voucher worth Rs. 6, 480 valid for six months.

The prepaid subscription offers were seen as a radical step towards making communication and data services affordable to a wider range of customers. In a major shift in strategy, Bharti Airtel too joined the race, to bundle out Nokia 1290 handsets on 22 June, 2007. Bharti Airtel is set to bundle handsets with mobile connections which means that the company will provide a handset with a new connection at partly subsidized rates with

recharge price options ranging from Rs 300 to Rs 3, 000 with no strings attached and being simple to operate.

Airtel followed this with yet another strategic move " Airtel Freedom plan" with 1paisa/second for its local and STD calls in its prepaid plans. To counter this Reliance came up with " Simply reliance -Pay per minute" with 50 paisa per minute for its local and STD calls. Lifetime plan and Reduction of ISD and Roaming rates: Airtel introduced its first lifetime plan with installment plan to attract the lower and middle class persons with Re 1 per minute call charges which was later on followed by Reliance.

Right now Reliance had introduced lifetime plan in 199 with 99 paisa per minute which will lead to costleadership. In September 2007, Bharti Airtel dropped its ISD charges to the US and Canada after which an Airtel mobile user could call at Rs 1. 99 per minute with the Airtel STD and ISD Calling Card worth Rs 2, 245. Reliance Infocomm also cut its rates to the US and Canada to Rs 1. 99 per minute on its 'Reliance Global Call Card' of Rs 1, 900. It had recently cut call charges to the Gulf to Rs 6. 99 per minute implementing same strategies as done by the rival company Airtel.

Pricing is a crucial element for both Reliance and Airtel in mobile communications market, which could make and break their business. While under-pricing could lead to a loss for them, over-priced services may well see them losing their customer and the shares falling. By rolling out increasing number of services in today's mobile market and pricing them has been a great challenge for both Airtel and Reliance. The pricing war game between

these two is played in order to maximize the profit over the other by increasing the amount of sales and acquiring more shares in the market.

Here Game theory helps both the firms to identify the dominant strategy, respective to each company's service sales. Here the dominant strategy for both firms is to have low-cost calling rates. In game-theoretic terms, the price war between these two giants of mobile market in India can be modeled as a multi-stage game with complete and imperfect information. Here Both Reliance and Airtel have used low-price strategy which can be linked to the prisoner's dilemma of game theory.

Prisoner's dilemma was effectively used to successfully minimize the rates. Airtel used game theory strategy in almost all service provided and they followed the same when it started to rollout its broadband service with various price rates where it outplayed its closest rival reliance in the broadband service with more options for its subscribers. The below given table's show the price difference that both Airtel and Reliance have in their broadband tariff plan. In the broadband service Reliance is second fiddle to its competitor.